MP's seeking PM's Intervention in AI Disinvestment

3669. SHRI P. PRABHAKAR REDDY : Will the Minister of DISINVESTMENT be pleased to state :

(a) whether it is a fact that several Members of Parliament, cutting across party lines, have written letters to the Prime Minister seeking his intervention in some contentious issues relating to Tata Singapore Airlines being the single bidder for claiming Government's shareholding in Air India's disinvestment;

(b) if so, the details of the communications received and reaction of the Prime Minister's Office thereto; and

(c) the steps proposed to be taken to ensure adequately norms of transparency in the deal, in particular, and in the disinvestment in general?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE) : (a) Yes, Sir.

(b) While some of the Honourable Members urged not to disinvest Government equity in Air India and to infuse funds for revival of the Company, some Members expressed concern over the following issues relating to the disinvestment of Air India :—

- Proper valuation of the Company
- National interest and security concerns
- Protection of employees' interest
- Possibility of receiving single bid offer from Tata-Singapore Airlines
- Transparency in the bidding process

Such letters have been replied to clarifying the following stand of the Government in these matters :

- Since infusion of huge funds for revival of Air India was not found advisable looking at the fact that large infusion of funds had not turned around, public sector companies, the decision to disinvest Government equity in Air India was taken after considering all aspects.
- The Government, in consultation with various organizations, has put in place standardized nationally and internatjonally accepted valuation methodologies. In the case of Air India (AI), apart from

the valuation to be done by the Advisors in accordance with the approved methodologies, it has been decided that two other reputed valuers will also be asked to carry out an independent valuation of the Company in order to have utmost objectivity and transparency in making fair assessment of the value of the Company.

- Provisions have been made in the shareholders agreement to take care of all the issues/concerns relating to national interest and security as well as for protection of employees' interest.

- It is not uncommon under standard Government procedures to accept single bid offers provided the bidding process was duly advertised and the offer received is found to be competitive. In the case of Air India, the Government had properly advertised the disinvestment and undertook the process in a transparent and exhaustive manner. To ensure the competitiveness (even in the likelihood of a single bid offer), the reserve price of the Government would be determined through an objective valuation process.

(c) The process of disinvestment of Air India has been undertaken in a systematic and totally transparent manner. The following procedure adopted for disinvestment of CPSUs applies to Air India as well :

- Proposals for disinvestment in any PSU, based on the recommendations of the Disinvestment Commission or in accordance with the declared Disinvestment Policy of the Government, are placed for consideration of the Cabinet Committee on Disinvestment (CCD).

- After CCD clears the disinvestment proposal, selection of the Advisors for assisting in the implementation of the disinvestment decision, is done through a competitive bidding process.

- The Advisors assist the Government in preparation and issue of advertisement in leading newspapers/magazines/journals, for inviting Expression of Interest (EoI) from prospective Strategic Partners. In cases of urgency, EoI is prepared by Department of Disinvestment and issued after approval of Inter Ministerial Group (IMG).

- After receipt of the EoI, Prospective Bidders are short listed, based on objective screening in the light of the announced pre-qualification criteria/requirements.

- The Advisors, after due diligence of the PSU, prepare the Information Memorandum in consultation with the concerned PSU. This is given to the short listed Prospective Bidders, who have entered into a Confidentiality Agreement.
- The draft Share Purchase Agreement or the Shareholders Agreement are also prepared by the Advisors, with the help of the Legal Advisors, and given to the Prospective Bidders for eliciting their reaction.
- The Prospective Bidders undertake due diligence of the PSU and hold discussions with the Advisors/the Government/the representatives of the PSU for any clarifications.
- Concurrently, the task of valuation of the PSU is undertaken in accordance with the standard national and international practices. In the specific case of Air India, the Business Valuation shall be done by three independent valuers.
- Based on the reactions received from the Prospective Bidders, the Share Purchase Agreement and Shareholders Agreement are finalised and after vetting by the Ministry of Law, they are approved by the Government. Thereafter, they are sent to the Prospective Bidders for inviting the final binding bids (Technical and Financial).
- After examination, analysis and evaluation of the bids, the recommendations of the Inter Ministerial Group (IMG) are placed before the CCD for a final decision regarding selection of the Strategic Partner, signing of the Share Purchase and Shareholders Agreements and other ancillary issues.
- In the disinvestment process mentioned above. Department of Disinvestment is assisted at each stage by an Inter Ministerial Group (IMG) comprising officers from the Ministry of Finance, Department of Public Enterprises, the Administrative Ministry/Department controlling the PSU, the PSU concerned apart from the officers of the Department of Disinvestment and the Advisors.
- After the transaction is completed, all papers and documents relating to it shall be turned over the Comptroller and Auditor General of India; the CAG shall prepare an evaluation for sending to Parliament and releasing to the public.